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# Secretary's Management Report

October 1, 1991-March 31, 1992

Volume 6  
Management Actions  
Taken on Audit Recommendations  
P.L. 100-504





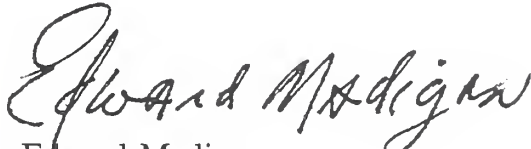
DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20250

June 16, 1992

MESSAGE FROM THE SECRETARY

Action on audit recommendations made by the Office of Inspector General continues to be a top priority for USDA Agency Administrators. When I took office, there were large numbers of audit findings which had not been implemented. During the last 6 months, we launched a major effort to complete outstanding audit recommendations. Although management's audit workload increased by 3 percent for this period, agencies completed final action on almost 23 percent more audits, and audits without final action decreased by 8 percent.

We will continue to respond quickly to audit recommendations. I will expect to report even greater improvements in my next report to Congress.

  
Edward Madigan  
Secretary



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## Agency Abbreviations

AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ASCS	Agricultural Stabilization and Conservation Service
CCC	Commodity Credit Corporation
FAS	Foreign Agricultural Service
FmHA	Farmers Home Administration
FCIC	Federal Crop Insurance Corporation
FGIS	Federal Grain Inspection Service
FNS	Food and Nutrition Service
FS	Forest Service
FSIS	Food Safety and Inspection Service
NASS	National Agricultural Statistics Service
OFM	Office of Finance and Management
OGC	Office of the General Counsel
OICD	Office of International Cooperation and Development
OIRM	Office of Information Resources Management
REA	Rural Electrification Administration
SCS	Soil Conservation Service







## EXECUTIVE SUMMARY

The Secretary's Management Report to the Congress is required by the Inspector General Act Amendments of 1988. The Act requires that the Secretary report directly to the Congress on the status of actions taken on audit recommendations. This is the sixth report issued under the Act and covers the 6-month period October 1, 1991, through March 31, 1992. The report reflects management's implementation of recommendations contained in audit reports issued by the United States Department of Agriculture's (USDA) Office of Inspector General (OIG) and explains why action on an audit remains incomplete 1 year from the management decision date. It complements OIG's Semiannual Report to Congress which includes data on audit reports issued during this 6-month period and the status of management decisions made during the period.

Over the past 6 months, the Office of Finance and Management (OFM) monitored and analyzed 506 audits with 3,472 recommendations compared to 492 audits with 3,533 recommendations for April 1 through September 30, 1991. Of the 506 audits, 353 are from the prior 6-month period and contain 2,751 recommendations with corrective action complete on 879 recommendations or 32 percent. Management is in the process of finalizing action on the remaining recommendations.

Action is complete on 193 audits. As a result, management recovered \$5,405,731 in costs and wrote off \$2,010,284 in uncollectible debts due to bankruptcies, excessive cost of collections, legal determinations, or terminations in program participation. Additionally, management recovered \$4,957,619 and wrote off \$2,248,074 contained in audits that do not have final action. Management implemented \$182,577,696 in funds they determined could be used more efficiently and determined that \$977,242,572 in funds could not be used more efficiently as recommended by OIG due to statutory or other mandatory requirements. For audits without final action, management also implemented \$241,443,942 in funds they determined could be used more efficiently and determined that an additional \$897,161,785 could not be used efficiently. These actions were the result of action completed on recommendations during this 6-month period as well as prior periods which were not reported in previous reports.

Of the 506 audits, 104 do not have final action on the entire audit 1 year from the management decision date. Many of the management decisions to effect corrective action on these audit recommendations involve complex automated system changes, long-term formal regulations and directives, legal implications, actions by non-USDA agencies, and other time-consuming processes. Of the 104 audits, management took action on 644 recommendations containing \$6,034,277 in costs that management determined should not be charged to USDA programs (disallowed) and \$226,143,384 in funds they determined could be used more efficiently (funds to be put to better use).

Of the 506 audits, 24 audits are either under appeal or require a legislative solution to effect final action. Although the appeal and legislative processes preclude final action on these

audits in their entirety, management completed action on 49 recommendations with \$2,450,653 in disallowed costs and put \$60,600,000 in funds to better use.

The following summary shows the status of audits for this 6-month period:

	Carryover April 1, - Sept. 30, 1991	Management Decisions Oct. 1, 1991 - March 31, 1992	Total
Universe of Audits			
Total Audits:	353	153	506
Number of Recommendations:	2,751	721	3,472
Disallowed Costs:	\$47,172,543	\$90,638,381	\$137,810,924
Funds To Be Put to Better Use:	\$2,383,473,098	\$1,168,840,597	\$3,552,313,695
Audits With Final Action			
Total Audits:	128	65	193
Number of Recommendations:	713	166	879
Disallowed Costs:	\$7,046,564	\$535,850	\$7,582,414 <sup>1/</sup>
Funds To Be Put To Better Use:	\$182,377,593	\$977,442,675	\$1,159,820,268
Final Action on Audit Recommendations and Other Collections			
Number of Recommendations:	310	445	755
Disallowed Costs:	\$290,674	\$6,915,019	\$7,205,693
Funds To Be Put to Better Use:	\$66,469,222	\$1,072,139,505	\$1,138,605,727
Audits Under Appeal or Legislative Solution			
Total Audits:	22	2	24
Number of Recommendations:	102	20	122
Disallowed Costs:	\$10,603,868	\$94,316	\$10,698,184
Funds To Be Put To Better Use	\$72,390,342	-0-	\$72,390,342
Audits Without Final Action			
Total Audits:	225	88	313
Number of Recommendations:	2,038	555	2,593
Disallowed Costs:	\$40,125,979	\$90,102,531	\$130,228,510
Funds To Be Put to Better Use:	\$2,201,095,505	\$191,397,922	\$2,392,493,427

<sup>1/</sup> This amount was reduced by \$166,399 due to documentation later obtained by the Agency from the auditee on disallowed costs or as a result of an appeal.





## DEFINITIONS

**Questioned Cost.** A cost OIG questions because of:

- an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- a finding that, at the time of the audit, the cost is not supported by adequate documentation; or
- a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Disallowed Cost.** A questioned cost that management sustains or agrees is not chargeable to the government.

**Funds To Be Put To Better Use.** A recommendation by OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

- reductions in outlays;
- deobligation of funds from programs or operations;
- withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
- costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee;
- avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
- any other savings which are specifically identified.

**Management Decision.** Management's evaluation of the audit findings and recommendations and the issuance of a final decision by management concerning its response to the findings and recommendations, including necessary actions.

**Final Action.** Final action means:

- the completion of all actions that management has concluded are necessary in its management decision with respect to the findings and recommendations included in an audit report; and
- in the event that management concludes no action is necessary, final action occurs when a management decision is made.





**FINAL ACTION ON AUDITS AND RECOMMENDATIONS  
WITH DISALLOWED COSTS FOR THE 6-MONTH PERIOD  
OCTOBER 1, 1991 - MARCH 31, 1992**

The chart on the following page depicts the overall status of audits with disallowed costs for this reporting period. As of October 1, 1991, final action was in process but not complete on 193 audits with \$47,172,543 in disallowed costs. Management decisions were made during the period on 70 audits with \$90,638,381 in disallowed costs. Management implemented all audit recommendations for 92 audits, recovering \$5,405,731 in costs that should not be charged to USDA programs and writing off \$2,010,284 in uncollectible debts due to bankruptcies, excessive cost of collections, legal determinations, or terminations in program participation. Additionally, agencies collected \$4,957,619 and wrote off \$2,248,074 for final action taken on recommendations for prior periods and other disallowed costs collected by USDA agencies.

**Final Action on Audits and Audit Recommendations  
With Disallowed Costs for the 6-Month Period  
October 1, 1991 - March 31, 1992**

	Disallowed Costs	
	Number of Audit Reports	Dollars
A. Management decisions with no final action as of October 1, 1991	193	47,172,543 <u>1/</u>
B. Management decisions from October 1, 1991 - March 31, 1992	70	90,638,381 <u>2/</u>
C. Total management decisions	263	137,810,924
D. Final action on audit reports October 1, 1991 - March 31, 1992	92	7,582,414 <u>3/</u>
1. Recoveries		
(a) Collections		2,927,005
(b) Other		2,478,726
2. Writeoffs		2,010,284
3. Subtotal (1 + 2)	92	7,416,015
E. Final action on audit recommendations October 1, 1991 - March 31, 1992	49 <u>4/</u>	2,550,726 <u>4/</u>
1. Recoveries		
(a) Collections		3,885,243
(b) Other		1,072,376
2. Writeoffs		2,248,074
3. Subtotal (1 + 2)	49 <u>4/</u>	7,205,693 <u>5/</u>
F. Total final action from October 1, 1991 - March 31, 1992 (D.3 + E.3)		14,621,708
G. Total reports needing final action as of March 31, 1992 (C - D)	171	130,228,510

See footnotes on next page.

- 1/ Disallowed costs for multi-agency audits were not included in the April 1 through September 30, 1991, report.
- 2/ This amount excludes \$351,897 contained in OIG's semiannual report for this period because the OIG audits did not recommend recovery of the funds.
- 3/ This amount was reduced by \$166,399 due to documentation later obtained by the Agency from the auditee on disallowed costs or as a result of an appeal.
- 4/ This represents 49 recommendations and \$2,550,726 with final action for the current 6-month period.
- 5/ The amount reflects \$4,654,967 in final actions taken on recommendations for prior reporting periods and other disallowed costs collected by USDA agencies.



**FINAL ACTION ON AUDITS AND AUDIT RECOMMENDATIONS  
WITH FUNDS TO BE PUT TO BETTER USE FOR THE 6-MONTH PERIOD  
OCTOBER 1, 1991 - MARCH 31, 1992**

The chart on the following page depicts the overall status of audits with funds to be put to better use for this reporting period. As of October 1, 1991, final action is in process but not complete on 85 audits with \$2,383,473,098 in funds which could be put to better use. Management decisions were made during the period on 25 audits with \$1,168,840,597 in funds which could be put to better use. Management implemented all audit recommendations for 35 audits containing \$182,577,696 in funds to be put to better use. Recommendations for \$977,242,572 were not put to better use, mainly due to either statutory or mandatory requirements. Additionally, agencies took action on \$1,138,605,727 in funds to be put to better use for recommendations with final action during the current and prior periods.

**Final Action on Audits and Audit Recommendations  
With Funds To Be Put To Better Use for the 6-Month Period  
October 1, 1991 - March 31, 1992**

	Funds To Be Put To Better Use	
	Number of Audit Reports	Dollars
A. Management decisions with no final action as of October 1, 1991.	85 <u>1/</u>	2,383,473,098 <u>1/</u>
B. Management decisions from October 1, 1991 - March 31, 1992	25	1,168,840,597
C. Total management decisions	110	3,552,313,695
D. Final action on audit reports October 1, 1991 - March 31, 1992	35	1,159,820,268
1. Value of recommendations implemented in audit reports		182,577,696
2. Value of recommendations in audit reports that could not be implemented		977,242,572
3. Subtotal (1 + 2)	35	1,159,820,268
E. Final action on audit recommendations October 1, 1991 - March 31, 1992	13 <u>2/</u>	29,222,057 <u>2/</u>
1. Value of recommendations implemented in audit reports		241,443,942
2. Value of recommendations in audit reports that could not be implemented		897,161,785
3. Subtotal (1 + 2)	13 <u>2/</u>	1,138,605,727 <u>3/</u>
F. Total final action from October 1, 1991 - March 31, 1992 (D.3 + E.3)		2,298,425,995
G. Total reports needing final action as of March 31, 1992 (C - D)	75	2,392,493,427

See footnotes on next page.

- 1/ Reflects a decrease of four audits inadvertently reported with final action and two audits inadvertently dropped for the April 1 through September 30, 1991, period.
- 2/ This represents 13 audits and \$29,222,057 with final action for the current 6-month period.
- 3/ Of this amount, \$1,109,383,670 reflects final action on recommendations for the prior period.

## **AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION**

The table on the following page reflects 24 audits either under appeal or a legislative solution is necessary to affect final action. These 24 audits contain 122 recommendations involving \$10,698,184 in disallowed costs and \$72,390,342 in funds to be put to better use. Although the appeal and legislative processes preclude final action on these audits in their entirety, management completed action on 49 recommendations, recovering \$2,301,254 and writing off \$149,399 in costs which they determined should not be charged to USDA programs. In addition, management put \$60,600,000 which they determined could be used more efficiently.



## AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

Agency	Administrative Appeal	Judicial Appeal	Legislative Solution	Disallowed* Costs (Dollars)	Funds To** Be Put To Better Use (Dollars)
ASCS	4	1	0	3,683,824	0
FmHA	2	0	1	165,313	69,370,000
FCIC	5	0	0	4,764,894	244,494
FS	3	1	0	150,866	1,221,161
SCS	3	0	0	291,235	1,554,687
FNS	3	1	0	1,642,052	0
<b>TOTAL</b>	<b>20</b>	<b>3</b>	<b>1</b>	<b>10,698,184</b>	<b>72,390,342</b>

\*Management completed action to recover \$2,301,254 and writeoff \$149,399 in costs which should not have been charged to USDA programs.

\*\*Management has put \$60,600,000 in funds to better use.



**APPENDIX 1**  
**AGENCY AUDITS WITHOUT FINAL ACTION 1 YEAR**  
**FROM THE MANAGEMENT DECISION DATE**

Agencies did not complete corrective action within 1 year on 104 audits. The 68 audits indicated with an asterisk(\*) were in the report for the period April 1, 1991, through September 30, 1991. Some audits contain multiple recommendations affecting the completion of final action. These include complex system changes, collection activities, development and implementation of regulations or directives, legal implications, investigations, actions by other than USDA Agencies, and time-consuming corrective action to implement the management decisions. Of the 104 audits, management implemented 644 recommendations containing \$6,034,277 in disallowed costs and \$226,143,384 in funds to be put to better use.



**AGENCY AUDITS WITHOUT FINAL ACTION  
1 YEAR FROM THE MANAGEMENT DECISION DATE  
(DOLLARS)**

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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**AGRICULTURAL MARKETING SERVICE**

South Florida Lime and Avocado Administrative Committees #01031-43-AT*	01-05-88	-0-	-0-	The audit has 14 recommendations of which 13 are complete. The remaining finding is that AMS require the reporting of individual assessment rebates of \$600 or more to the Internal Revenue Service (IRS). AMS requested an opinion from IRS and is awaiting its return.
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Cotton Research and Promotion Program #01045-4-AT*	03-09-89	(380,101) 21,204	-0-	The audit has 15 recommendations of which 14 are complete. The remaining finding is that AMS determine the collectibility of \$380,101 in assessments, penalties, and interest. A proof of claim is pending a determination by the United States (U.S.) Bankruptcy Court for the Southern District of Texas.
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Federal Inspection Under the Egg Products Inspection Act #01061-11-AT*	08-09-89	-0-	-0-	The audit has 11 recommendations of which 10 are complete. The remaining finding is that AMS implement management controls for prompt resolution of future review recommendations. AMS implemented informal procedures to monitor, track, document, and follow up on weaknesses identified in reviews. Policy statements and directives to formalize the process are scheduled to be completed in fiscal year (FY) 1992.
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Non-Auction Tobacco Sales #01099-19-AT*	01-18-90	-0-	-0-	The audit has four recommendations of which three are complete. The remaining finding is that AMS use the system developed with ASCS to identify flue-cured tobacco warehouses that exceeded their 1988 and 1989 sales limitations and reduce sales opportunities accordingly. AMS identified seven warehouses, in addition to the nine identified by OIG, that appear to exceed their sales limitation. Enforcement action is expected during the 1992 crop year.
National Dairy Promotion Program Funds #01099-24-HY*	06-09-89	(92,193) 92,193	-0-	The audit has 27 recommendations of which 21 are complete. The remaining findings are that AMS provide written guidelines for remitting assessment funds, standardize procedures for determining pounds of milk produced, and provide instructions on maintaining source documents. The U.S. Attorney's Office prepared a Stipulation for Compromise settlement. AMS and OGC approved the Stipulation and are awaiting formal submission to the court.
Management and Accountability of Section 32 Funds #50099-67-HY	03-29-91	-0-	(23,291,884) -0-	The audit has 11 recommendations of which 5 are complete. The remaining findings are that AMS strengthen guidelines contained in a Memorandum of Understanding (MOU) pertaining to financial management of the Section 32 Program, prepare a written plan of action to facilitate the prompt return of unexpended funds from ASCS to AMS, establish a separate account for AMS and FNS funds maintained by ASCS, add

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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procedures to the MOU requiring the distribution of expenditure and unexpended funds data and reports to participating agencies, include procedures in the MOU that require the use of AMS budget and ASCS expenditure data for the preparation of future budget submissions to Congress, and add procedures that prohibit Kansas City Commodity Office personnel from authorizing payment for any commodities unless sufficient FNS funds or AMS Section 32 funds are available to cover respective FNS and AMS contract commitments. AMS plans to implement corrective action by July 1992.

AMS Subtotal		(472,294) 113,397	(23,291,884) -0-	
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AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Audit of San Juan County ASCS Office Operations, Monticello, Utah #03011-1108-KC	08-22-90	(254,884) 13,785	(136,496) -0-	The audit has 15 recommendations of which 12 are complete. The remaining findings are that ASCS develop a plan to improve program administration and conduct periodic reviews of County Office (CO) operations to measure the effectiveness of program administration and require the CO to refer the cited loans in the audit to the County Committee to determine whether unauthorized dispositions occurred and assess penalties as appropriate. Collection of the disallowed costs is delaying final action.
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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<p>Controls in the Check Accounting System Kansas City Management Office #03091-330-FM*</p>	<p>03-30-90</p>	<p>-0-</p>	<p>-0-</p>	<p>The audit has 12 recommendations of which 11 are complete. The remaining finding is that ASCS modify the State and County Office Automation Project software to allow the Check Accounting System to make all accounting entries to the Financial Management System for both automated and nonautomated programs. The final phase for modification of the accounting software to implement a new mainframe computer system is expected to be complete by June 1992.</p>
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<p>Idaho Conservation Reserve Program Application of Eligibility and Payment Limitation Requirements #03099-59-SF</p>	<p>11-27-90</p>	<p>(433,320) 433,320</p>	<p>(1,011,080) -0-</p>	<p>The audit has three recommendations of which two are complete. The remaining finding is that ASCS collect payments made on Bingham County Conservation Reserve Program (CRP) contract nos. 2 and 11. An administrative appeal was filed and denied. Collection of the disallowed costs is delaying final action.</p>
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<p>Excessive Deficiency Payments to Hybrid and Certified Seed #03099-70-CH</p>	<p>09-30-88</p>	<p>-0-</p>	<p>(170,000,000) 170,000,000</p>	<p>The audit recommended that ASCS require the use of actual hybrid seed yields when computing deficiency payments for program acreage planted for the production of hybrid seed and either seek legislation to exclude "nonprogram" type crops from receiving deficiency payments or establish separate market prices for these "nonprogram" type crops. If legislation is not sought to make these changes, coordinate with NASS to obtain market prices received by producers for hybrid and</p>
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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certified seed, as well as for other higher priced crops that are not now collected by NASS, and include them in the national average market price calculations. ASCS and NASS continue to work together to develop the methodology to be used to implement the computation and receipt of deficiency payments.

The audit has 10 recommendations of which 8 are complete. The remaining findings are that ASCS recover Disaster Program (DP) overpayments, disburse additional funds to correct underpayments, and recover the unauthorized loan amounts due from the cited producers, plus any interest. Collections are delaying final action.

The audit has 16 recommendations of which 10 are complete. The remaining findings are that ASCS recalculate and correct payments made to producers, implement a second-party review of the calculation of nonprogram crop payment yields and rates for disaster assistance payments, recover DP overpayments and disburse funds to correct underpayments, recalculate DP payments to producers on farms not reviewed by OIG and make necessary adjustments in the payments, collect the DP payments from producers identified as ineligible to participate in the Program, adjust disaster

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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payments made to producers to reflect changes in the crop table, and correct overpayments or underpayments. Collections are delaying final action.

The audit has 12 recommendations of which 10 are complete. The remaining findings are that ASCS provide instructions on action to be taken to correct the cases cited with improper "person" determinations, including collection of improperly disbursed payments. Collections are delaying final action.

The audit has three recommendations of which one is complete. The remaining findings are that ASCS instruct the Caddo Parish County Committee to obtain a refund of the Emergency Conservation Program payments and review the facts presented and require the Committee to recover Emergency Feed Program (EFP) payments made to the producer. Final action is delayed pending the results of legal action filed by the producer against the Secretary of Agriculture.

The audit recommended that ASCS direct Pondera County to combine the cited entities for 1987 and 1988 and recover the excessive diversion, deficiency, and disaster payments. An administrative appeal was filed and subsequently denied. Collections are delaying final action.

Audit of the Conservation Reserve Program \$50,000 Payment Limitation in Colorado  
#03099-114-KC\*

07-14-88

(328,799)  
324,165

(1,917,409)  
1,742,874

Emergency Conservation Program and Emergency Feed Program Claim in Caddo Parish, Louisiana  
#03099-137-TE\*

08-25-89

(9,767)  
9,767

(3,750)  
-0-

Payment Limitation for Related Farming Operations in Pondera County, Conrad, Montana  
#03099-141-KC

11-03-89

(420,439)  
420,439

-0-

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
1988 and 1989 Disaster Assistance Program Operations, Bradley County Arkansas #03099-144-TE	06-05-90	(293,201) 290,979	-0-	The audit has five recommendations of which one is complete. The remaining findings are that ASCS instruct the Bradley CO to combine Producer A and Corporations A and B as one "person" for payment limitation purposes and recover the ineligible payments; recover funds disbursed to Producers C, D, and E for the prevented planting disaster payments; and combine Corporation C and Producer F as one "person" for payment limitation purposes and recover the ineligible funds. An administrative appeal was filed and subsequently denied. Collections are delaying final action.
Payment Limitations for 1987 in California #03600-2-SF	06-14-89	(566,194) 559,614	-0-	The audit has four recommendations of which two are complete. The remaining findings are that ASCS collect questionable payments from the new producers and collect the duplicate payments from Producers H and I. Final action is delayed pending the results of legal action filed by the producers against the Secretary of Agriculture.
Maximum Payment Limitation Provisions for 1987 in Texas #03600-4-TE*	10-19-89	(688,596) 201,867	-0-	The audit has eight recommendations of which seven are complete. The remaining finding is that ASCS instruct the Moore and Zavala County Committees to determine whether the individuals engaged in a scheme that had the effect of evading payment limitation rules. An administrative appeal was filed and subsequently denied. ASCS has established claims for collection of the ineligible funds.

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
1988 Emergency Food Program in California #03600-5-SF	06-08-90	(549,921) 125,827	-0-	The audit has 10 recommendations of which 9 are complete. The remaining finding is that ASCS elevate the audit for resolution on the determination of Producer A1's eligibility to participate in the 1988 EFP and recover ineligible payments. Collections are delaying final action.
Audit of Large Payments for 1986, R.C. Farming Partnership, Fresno County, California #03645-11-SF*	04-20-89	(825,096) 825,096	-0-	The audit recommended that ASCS obtain repayments from R.C. Farming Partnership (R.C.), review R.C.'s operations for subsequent years to determine whether the conditions noted in the audit continue, and recover any overpayments. Final action is delayed pending a determination from the U.S. Attorney in San Francisco as to whether the producers will face criminal prosecution.
Audit of Large Payments for 1986, LaReata Farms #03645-17-TE*	06-02-89	(1,289,513) 1,244,489	(27,232) -0-	The audit has two recommendations of which one is complete. The remaining finding is that ASCS direct the County Committee to review all facts, confirm that LaReata engaged in a scheme or device to circumvent the payment limitation, and recover \$983,189. Final action was delayed due to an OIG investigation and an administrative appeal. The appeal was denied in June 1991 and ASCS established claims for collection of the funds. Liquidation of claims is delayed because the producers filed for bankruptcy.



Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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ASCS Subtotal		(6,571,132) 4,881,854	(173,095,967) 171,742,874	
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**FARMERS HOME ADMINISTRATION**

Implementation of the Office of Management and Budget's Nine Point Credit Management Program  
#04006-2-AT\*

08-10-88

-0-

-0-

The audit has 24 recommendations of which 18 are complete. The remaining findings are that FmHA report delinquent commercial and consumer debts to credit bureaus, match delinquent borrowers with Federal employment files and develop an automated system for cases referred to the Department of Justice (DOJ), revise write-off regulations and instructions, and maintain subsidiary accounts on debt for future collection actions. FmHA is developing an automated accounting and tracking system for cases referred to DOJ. The target completion date is January 1993. The computer systems for reporting all commercial and delinquent consumer debts to credit bureaus in formats required by the Office of Management and Budget (OMB) and Treasury are under development. The design specifications for matching all delinquent borrowers, including inactive and coborrowers, are developed, and software development is underway.

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Binghamton County Office, Binghamton, New York #04011-244-HY	10-19-90	-0-	-0-	The audit has 15 recommendations of which 14 are complete. The remaining finding is that FmHA recode employee loans into other county and district offices where employees or employees' subordinates will not have update capability on the loan files. Final action is delayed until implementation of FmHA Instruction 1900-D which gives FmHA the authority to recode employee loans.
County Office Review, Willows, California #04012-1-SF*	01-02-90	-0-	-0-	The audit has three recommendations of which two are complete. The remaining finding is that FmHA provide training to assure that mineral rights are considered and documented for appraisals performed on FmHA real estate property. Final action is delayed pending completion of supervisory staff training.
Survey of FmHA Housing Preservation Grant Program #04099-69-SF*	12-28-88	-0-	-0-	The audit has nine recommendations of which three are complete. The remaining findings are that FmHA issue instructions to ensure grantees prepare Financial Status Reports that reconcile with their accounting records, complete all repair projects prior to closing out the grant agreement, and certify that final building inspection reports are reviewed and filed prior to submission of the final quarterly progress reports. The revised regulations to incorporate the audit recommendations are in clearance. FmHA expects publication in October 1992.

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Audit of FmHA Collection Systems and Other Selected Areas #04099-72-FM	09-28-90	(313) 313	(254,273) 254,273	The audit has 12 recommendations of which 2 are complete. FmHA regulations do not address IRS reporting requirements of payments of \$600 or more. Filing information returns for payments deducted from acquired property sales proceeds will not be included in the development of OFM's National Finance Center's (NFC) Type 60 Purchase Order System. FmHA is evaluating alternative methods to determine an approach to achieve IRS reporting requirements. The evaluation will be complete by August 1992.
Debt and Loan Restructuring System and Related Computer System Modifications #04099-74-FM	09-25-90	-0-	-0-	The audit has six recommendations of which three are complete. The remaining findings are that FmHA clarify whether loans of the same type but with different interest rates should be consolidated or should be rescheduled for maximum terms during servicing actions and make appropriate changes to Agency procedures and, if less than maximum terms can be used during rescheduling, reprogram its system during the next major enhancement/modification to automatically consider the various loan terms available when attempting to arrive at a feasible plan. FmHA made changes to its system, and the new version is now in its field offices. The clarification on whether loans of the same type but with different interest rates should be consolidated will be made after regulations are published in early spring 1992.

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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Review of Grazing Association Loan Restrictions  
#04099-95-KC

01-27-89

(3,547,732)  
3,284,809

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The audit has four recommendations of which three are complete. The remaining finding is that FmHA require all grazing associations identified as not being in compliance with their loan restrictions to adhere to program requirements or liquidate the loans. Final action is delayed due to the large number of cases involved, which are financially complex. In some cases, foreclosure is underway involving the OGC and the DOJ. FmHA expects resolution of all cases in early FY 1994.

Referral of Borrower Cases for Investigation, Fiscal Years 1987 and 1988  
#04099-100-KC\*

04-09-90

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This audit has two recommendations of which one is complete. The remaining finding is that FmHA revise its instructions to emphasize how FmHA personnel can more readily recognize possible illegal activity and, upon establishment of probable cause, refer suspected acts of wrongdoing to OIG Investigations; require borrower notification of suspected wrongdoing; and specify that FmHA employees shall not convey or imply postapproval of unauthorized dispositions of security property. FmHA issued a proposed rule in October 1991 and expects to issue an interim final rule in FY 1992.



Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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One Rural Rental Housing Borrower, Kansas FmHA State Office, Topeka, Kansas #04099-106-KC	06-22-90	(133,899) 9,427	-0-	The audit has five recommendations of which three are complete. The remaining findings are that FmHA instruct the borrower to restore proper balances in reserve and operating accounts and apply remaining funds not needed for authorized purposes to FmHA loan obligations, coordinate with the Department of Housing and Urban Development (HUD), and expand HUD's temporary suspension to debarment of the general partner from participation in FmHA programs. In January 1991, FmHA filed criminal charges against the borrower, and the U.S. Attorney obtained a 14-count indictment. The borrower pled guilty to two counts, and the court dismissed the other 12 counts. FmHA is experiencing difficulty resolving ownership interest and is working with OGC to achieve the change. With completion of the ownership change, FmHA expects to proceed with debarment.
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Servicing of Rural Rental Housing Borrowers, Kansas FmHA State Office, Topeka, Kansas #04099-108-KC	07-11-90	(468,858) 465,158	-0-	The audit has five recommendations of which four are complete. The remaining finding is that FmHA instruct district offices to review management reports for all Rural Rental Housing (RRH) projects to identify improper and excessive use of project funds and apply any excess funds to the FmHA loan. One project paid in full. The balance of the projects have increased reserve requirements. Final action is delayed due to the review of management reports.
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Survey of FmHA Debt Management of Defaults on Guaranteed Loans #04099-118-TE*	06-11-87	-0-	-0-	The audit recommended that FmHA modify Instruction 1980-A to include procedures to monitor the recovery and collection actions of lenders subsequent to payment of loan guarantee loss claims. Internal clearance of FmHA Instruction 1980-A is delaying final action.
Interest Accrual on Guaranteed Loans Delinquent Over 90 Days #04099-143-TE*	05-22-89	-0-	(8,378,513) 8,378,513	The audit has three recommendations of which one is complete. The remaining findings are that FmHA amend its regulations and lender agreements to require estimated loss reports for guaranteed loans if the liquidation period exceeds 90 days. A revised management decision is delaying final action.
Guadalupe Economic Services Corporation Housing Preservation Grant #04099-145-TE*	04-24-89	(133,360) 48,916	-0-	This audit recommended that FmHA terminate the grant for poor performance and for failure to account for funds and interest earned on advances. The borrower is on a repayment schedule which is delaying final action.
Housing Preservation Program Grant to Motivation, Education, and Training, Inc., Cleveland, Texas #04099-151-TE	12-28-89	(8,080) 7,965	-0-	The audit has three recommendations of which two are complete. The remaining finding is that FmHA obtain payment from Motivation, Education and Training, Inc., (MET) for construction of a new home that was not eligible for program assistance. MET requested that it be considered for debt settlement. FmHA informed MET that it needs to

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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provide a written request to the State Director. Upon receipt, the request will be submitted to the National Office for review. This is delaying final action.

The audit has 15 recommendations of which 12 are complete. The remaining findings are that FmHA emphasize that no rental income be received from tenants in single family-type labor housing when loan agreements are waived, require borrowers to account for rental income, require borrowers to execute loan agreements if they collect rent and establish the necessary accounts, and advise borrowers that violations could result in loan foreclosure. FmHA's revised regulation is in the clearance process.

The audit recommended that FmHA revise its internal review process to include reviews to determine whether completed application dates are accurate and documented properly. FmHA revised the application processing card to show complete application data. This allows for better monitoring of compliance with prompt approval standards. A change in the management decision is delaying final action.

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09-30-86

Labor Housing Program  
#04099-198-AT\*

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07-31-89

Compliance With  
Promptness Standards for  
Loan Approval and  
Appeal Actions  
#04099-282-AT\*

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Economic Decisions for Property Acquisitions, Washington, D.C. #04099-283-AT	09-29-89	-0-	(15,800) -0-	The audit has nine recommendations of which five are complete. The remaining findings are that FmHA include survey costs, administrative costs, and the procedures to include detailed instructions for each worksheet line item; include training sessions for CO personnel; and include procedures for State Office second-party reviewers to check the reasonableness and mathematical accuracy of worksheet entries and computation. FmHA Instruction 1955-A is revised and in the clearance process. Final action is delayed due to a change in the management decision.
Rural Housing Loans on Manufactured Homes #04099-284-AT*	08-16-89	-0-	-0-	The audit has two recommendations of which one is complete. The remaining finding is that FmHA ensure that CO personnel use no higher than average quality cost factors to appraise manufactured houses. FmHA anticipates publication of a regulation in September 1993.
Rural Rental Housing Program Compliance #04600-1-SF*	08-17-89	-0-	-0-	The audit has eight recommendations of which six are complete. The remaining findings are that FmHA require the borrower to submit reliable financial statements audited by a Certified Public Accountant (CPA) for each of the borrower's RRH projects, review management fee expenses for the years not reviewed by OIG, and require the borrower to correct any overcharges found. No action can be taken on the remaining audit findings until OIG completes its investigation of the borrower.



Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
1988 Drought Emergency Loss Loans in Texas #04600-2-TE*	12-26-89	(38,750) 840	-0-	The audit has eight recommendations of which seven are complete. The remaining finding is that FmHA direct the Gillespie, Shelby, and Jim Wells CO's to collect emergency funds duplicated by ASCS disaster payments. The borrower is on a repayment schedule which is delaying final action.
Rural Area Eligibility Designations in Washington, D.C. #04600-4-AT*	12-05-89	-0-	-0-	The audit has seven recommendations of which four are complete. The remaining findings are that FmHA revise its regulations to require that State and CO personnel perform more frequent reviews when rapid development affects existing boundary lines, require contacts with local planning officials and documentation of planned developments (3 to 5 years) which impact boundary determinations when rural area reviews are made, and further define land types and uses that qualify as open space and specify that boundary designations shall include required open spaces within the ineligible nonrural areas. FmHA is revising Instruction 1944-A and anticipates a final rule in September 1993.
Rural Rental Housing Program, Project Operations in California #04600-5-SF	10-19-90	-0-	-0-	The audit has 13 recommendations of which 8 are complete. The remaining findings are that FmHA establish a method to track the dates of supervisory visits for each RRH project to assure reviews are scheduled within required timeframes, implement a system of second-party reviews of annual analyses to assure the accuracy of calculations made, evaluate the

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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circumstances for underfunded reserve accounts and take appropriate actions to fund the accounts at the required level, evaluate the circumstances of the reorganized partnerships, and process the paperwork necessary to approve the changes in the reorganized partnerships. FmHA's reserve accounts for the projects noted in the audit remain underfunded. However, the owners of these projects have infused capital at various times to meet project needs. The district offices evaluated the circumstances of these accounts and determined that the underfunding is due to vacancy problems and lack of good budgetary control by the management agent. Both district offices involved are working with the management agent on the vacancy and budget overrun problems. Final action is delayed due to the processing of the partnership changes and the corrective action for each underfunded reserve account.

Labor Housing Loan  
Program in Washington,  
D.C.,  
#04600-6-AT\*

01-26-90

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The audit has seven recommendations of which three are complete. The remaining findings concern FmHA's assignment of sufficient resources to publish a proposed rule to address the conditions contained in the audit. FmHA's revised regulations are in clearance.

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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Guaranteed Loan Interest  
Rate Buy-Down Program,  
Washington, D.C.  
#04600-7-AT\*

03-29-90

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The audit has nine recommendations of which six are complete. The remaining findings are that FmHA require lenders to submit a completed Section A of the Lender's Checklist with other documents submitted to the county supervisor for approval; establish procedures to ensure the review of cash flow items during internal reviews for Approved and Non-Approved Lender Program lenders and establish closing procedures to require lenders to certify before loan closing that off-farm income, farm debts, and ASCS payments were verified and crop yields were based on 5-year average yields for other sources required by regulations. FmHA Form 449-23 continues to be on hold for concurrent release with upcoming loan assessment regulations which will be published in the Federal Register by October 1992.

Emergency Loss Loan  
Program, Washington,  
D.C., #04600-9-AT\*

05-03-90

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Of the 14 recommendations in the audit report, 12 are complete. The remaining findings recommended that FmHA require that State and county officials follow the provisions set forth in the MOU and either review and revise the MOU or Form FmHA 1945-29 to ensure that conditions reported in prior audits are not allowed to continue. FmHA issued the revised MOU. However, ASCS has advised it is canceling the MOU as it will not automatically issue joint checks on disaster payments. ASCS is reviewing a proposed replacement MOU which will not be included in the Emergency Loan Training package. The revision process is delaying final action.

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Servicing of Borrowers Participating in the ASCS Conservation Reserve Program, Washington, D.C., #04600-11-AT	08-07-90	-0-	-0-	The audit has four recommendations of which three are complete. The remaining finding is that FmHA issue instructions specifying how to adjust comparable property appraisal values and how to determine income-based appraisal values to reflect CRP contract values. Due to the Financial Institution Reform, Recovery, and Enforcement Act of 1989, FmHA is required to rewrite the appraisal regulation which is targeted for completion is FY 1993.
Nation-Wide Audit of County Office Operations #04642-1-TE*	07-16-85	-0-	-0-	The audit has 48 recommendations of which 44 are complete. The remaining findings are that FmHA strengthen internal controls, develop and implement a method for issuing proper refund checks, and improve controls over interest credit recapture (ICR) operations. FmHA is revising Instruction 1951-I, "Recapture of Section 502 Rural Housing Subsidy." With completion of the recapture automation project, FmHA will issue the revised instruction to field offices.
Cash and Debt Management Activities #04663-2-CH*	03-10-89	-0-	(59,900,000) 56,500,000	The audit has 35 recommendations of which 23 are complete. The remaining findings are that FmHA perform a cost benefit analysis on the pursuit of foreclosure and deficiency judgments; propose legislative changes to obtain wage matching information to confirm information reported by the borrower; revise its accounting system to record the



Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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transactions involving acquisition and writeoff of debts and develop controls to ensure that costs attributed to the borrower are proper charges prior to the writeoff of the debt; modify the Current/Past Debt Inquiry System to match borrower case numbers to a "debt settlement default" file prior to loan obligations and retain the applicant's prior loans settled through adverse action, the circumstances surrounding the adverse action, losses FmHA incurred attributable to the borrower in the acquisition, handling, or sale of the property, and recommendations on whether future loans should be made to the borrower; retain, for an established period, all case files for borrowers identified as unsatisfactory in the Inquiry System; advise all State and CO's that regulations are being revised to address the problems identified by OIG's ICR reviews and require CO's to improve the accuracy of selling expenses used to calculate ICR, and revise the definition of original equity to include only cash and lot contributions and/or sweat equity for self-help housing program participants; automate ICR receivables and improve controls over the issuance of refund checks; increase bonding requirements for escrow agents to amounts more representative of FmHA lending activity; and suspend and/or debar attorneys who continue to delay remittance of funds. FmHA Instruction 1927-B is published and implemented by field offices. This allows the State Offices time to notify all designated attorneys

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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and title companies within their jurisdiction of pending changes and to emphasize the changes in error and omission coverage and fidelity coverage. FmHA requested a Legislative Proposal to include FmHA to obtain Department of Labor (DOL) information through the wage matching systems nationwide. Pending this implementation, FmHA will continue using wage match systems where permitted by State laws. The Legislative Proposal is in review. Software development for recording transactions involving acquisition and writeoff of debt, the modification of the existing current/past debts inquiry system, and the ICR receivables are delayed due to implementation of the 1990 Farm Bill and Credit Reform. The target date for implementation is September 1993.

Farmer Program  
Guaranteed Loans Need  
Improvement  
#04665-2-TE\*  
09-29-88  
-0-  
(483,405,395)  
349,800,000

The audit has 17 recommendations of which 13 are complete. The remaining findings are that FmHA obtain statements from lenders indicating that they reviewed the borrower's financial information and could not consider giving the borrower a loan, implement policies and procedures to collect debts on defaulted loans, and computerize controls to detect and prevent borrowers who default on FmHA loans from obtaining subsequent FmHA loans. FmHA continues to review the Price-Waterhouse report findings using the Guaranteed Loan Task Force and the Credit Quality Task

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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Force. The redesign of the computer controls of the Guaranteed Loan Accounting System is scheduled for completion in September 1994.

FmHA Debt Restructuring for Delinquent Borrowers - Processing of Borrower Applications #04673-5-SF*	09-07-89	-0-	-0-	The audit has 12 recommendations of which 9 are complete. The remaining findings are that FmHA issue a notice to the public stating that the net recovery buy-out process is suspended pending the disposition of criminal prosecution proceedings, and missing collateral will be counted in the net recovery computation in cases where the allegation of fraud, waste, or conversion is substantiated by OGC and seek legislative remedies to preclude borrowers who lack good faith from participating in any of the Act's provisions. FmHA Instruction 1951-S is in clearance for publication as a final rule.
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Unauthorized Use of FmHA Inventory Farm Property #50099-20-AT*	05-17-89	(498,612) 487,371	-0-	The audit has four recommendations of which three are complete. The remaining finding is that FmHA consult with OGC to determine whether there is legal recourse to seek compensation from trespassers. FmHA referred five cases to OGC, and determinations on four cases are complete. Final action is delayed because the fifth case is in the U.S. Attorney's Office for legal action.
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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Oversight of Program Operations Through the Use of Certified Public Accountants  
#50659-4-CH\*

03-31-87

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The audit has 13 recommendations of which 12 are complete. The remaining finding is that FmHA develop an automated system to track audits and to follow up when reports are not received or are unaudited. FmHA is designing an automated district office management system to track various tasks, including the submission of audits and the completion of reviews. This system is part of the overall FmHA automation process that has been put on hold while a business plan is developed for Agency automation. FmHA currently has a manual card box management system. Final action is delayed until an automated system is developed.

FmHA Subtotal

(4,829,604)  
4,304,799

(551,953,981)  
414,932,786

# **FEDERAL CROP INSURANCE CORPORATION**

1986 and 1987 Potato Policies  
#05099-6-SF

09-30-88

(299,594)  
-0-

-0-

The audit has 16 recommendations of which 11 are complete. The remaining findings are that FCIC require participating insurance companies to inform potential and existing potato policyholders of the rotational requirements of the policy, require loss adjusters to verify compliance with rotational requirements when claims are adjusted, review certain potato claims to determine the extent and amount of indemnities paid on production improperly reduced for a tare factor and collect any overpayments, issue policy prohibiting payment of losses

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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on potatoes placed in storage, amend its potato policy to clearly state the insurance period for potatoes, and develop policy for yield establishment and counting production. A change in FCIC's management decision is delaying final action.

Audit of FCIC Reinsurance Operations - Mississippi #05099-11-AT*	03-31-88	(822,104) 822,104	(12,680,562) -0-	<p>The audit has four recommendations of which three are complete. The remaining finding is that FCIC either establish claims for loss overpayments or provide justification that a claim is not appropriate. The judicial appeal process is complete. FCIC set up an accounts receivable for restitution and referred the insured for inclusion on the ineligible list. FCIC is taking administrative action against the other insured. FCIC requested that the company correct the indemnity amount on the 1986 Reinsurance Year Annual Accounting Report or submit a direct payment to the Agency. The company was informed of its appeal rights if agreement to the final determination cannot be reached. Failure by the company to make adjustments for the 1986 Reinsurance Year or appeal the determination will result in FCIC taking steps to collect the amounts due, including the use of administrative offset against any monies owed by FCIC to the company.</p>
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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FCIC - Hybrid Seed Crop Insurance #05099-15-CH	10-04-89	(356,940) -0-	(230,014) 230,014	The audit has 13 recommendations of which 10 are complete. The remaining findings are that FCIC revise its hybrid seed policy provisions to require growers to submit a copy of their seed company contracts along with the acreage reports for use in determining eligibility; require reinsurance companies and master marketers to review the growers contract to determine if the grower has an insurable interest prior to policy approval; and revise its regulations to provide for offsetting insurance coverage and indemnity payment by minimum contract payments guaranteed by seed companies to growers for hybrid seed corn production. A change in FCIC's management decision is delaying final action.
Audit of Claims Adjusted by Crop Hail Management for Indemnities by Producers Who Received Large Payments From ASCS #05099-32-TE	07-31-89	(41,711) 27,051	-0-	The audit has 22 recommendations of which 19 are complete. The remaining findings are that FCIC collect the overpaid indemnity and administrative expenses and adjust the total premium downward on accounting statistical records. The appeal process for this audit is complete. FCIC instructed the reinsured company to reflect the proper net amount of the monetary discrepancies in the 1988 crop year Reinsurance Accounting Report. Once the accounting reports reflect these corrections, final action will be achieved on this audit.

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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Audit of 1988 Wheat  
Contract No. MP-008764  
for Big Horn County,  
Montana, Rain and Hail  
Insurance Service, Inc.  
#05099-91-KC

09-28-89

(64,711)  
64,711

-0-

The audit has six recommendations of which four are complete. The remaining findings are that FCIC require the reinsured company to refund the overpaid indemnity and administrative expense and adjust the accounting records to reflect the corrected liability and premium. An administrative appeal delayed final action within 1 year from the management decision date.

FCIC Audit of 1988 Crop  
Insurance Contracts With  
Claims  
#05600-1-TE\*

09-29-89

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The audit has 19 recommendations of which 13 are complete. The remaining findings are that FCIC enforce provisions for reviews of past yield histories and incorporate them into the Multiple-Peril Crop Insurance manuals, eliminate the use of the premium adjustment factors, expand the Actual Production History (APH) reviews, establish an acceptable APH error rate level and set annual goals to reduce the rate to this level, and require a review of APH data for every claim until the APH error rate is within the established level. FCIC has formed a task group to study the APH program. The remaining recommendations will be resolved pending the results of the task group in early spring.

Unauthorized Use of  
FmHA Inventory Farm  
Property  
#50099-20-AT

05-17-89

(56,107)  
56,107

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The audit has two recommendations of which one is complete. The remaining finding is that FCIC recover the ineligible indemnity payments cited and ensure that no 1988 or future indemnities are paid on FmHA inventory properties listed in

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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the 20 policies. The insured is party to a lawsuit against the U.S. Government, and administrative action cannot be pursued until the court reaches a decision.

FCIC Subtotal		(1,641,167) 969,973	(12,910,576) 230,014	
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**FOREIGN AGRICULTURAL SERVICE**

General Sales Manager 102 and 103 Programs #07099-2-AT	12-11-90	-0-	(6,219,645) 6,219,645	The audit recommended that FAS review claims submitted by assignees and, if CCC determines it is liable under the payment guarantees, recover those losses from the companies that exported foreign tobacco; initiate action to suspend and debar the companies cited from participation in all CCC programs; and recover any losses CCC may incur as a result of Iraqi State Enterprise for Tobacco and Cigarettes/Iraq's failure to repay loans guaranteed by the programs. OGC is reviewing and evaluating the potential allegations against the exporters for legal sufficiency.
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FAS Subtotal		-0-	(6,219,645) 6,219,645	
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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**FOREST SERVICE**

Credit and Debt Management Initiatives  
#08097-1-AT

06-29-90

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The audit has nine recommendations of which two are complete. The remaining findings are that FS develop policies to ensure the accounting and financial reporting systems meet the standards for internal consistency established by OMB Circular A-129 and the Treasury Financial Manual (TFM) Supplement; provide guidance for use in compiling the Schedule 220.9 to ensure that duplicate billings are not included in receivables and accounts are aged from the original billing date; develop procedures to report all commercial and delinquent consumer accounts to credit bureaus and notify debtors of the reporting and appeals procedures; reconcile policies for use of collection agencies with the requirements of OMB Circular A-129 and the TFM Supplement and develop procedures to routinely refer accounts in the normal course of collection activity; ensure that interest, penalty, and administrative costs are assessed when sureties delay payment; issue guidance to describe the proper accounting treatment for reclassified debts and for offset of cash downpayments; and establish a systematic method to write off uncollectible accounts in accordance with OMB and Treasury guidance. Final action was delayed because a key individual left and the position was vacant for 8 months. Some of the required policy is included in the

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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Claims Handbook which is expected to be published as part of the FS Manual in July 1992. Other policy is being written and will be published as an interim directive by July 1992.

The audit has five recommendations of which one is complete. The audit recommended that FS request a comprehensive MOU with the Department of Interior (DOI) to provide the FS with receipt and production data on mineral leases, include a provision in the MOU that mineral lease data will be provided for acquired and public domain lands, request the DOI to provide the data directly to the appropriate Regional Office (RO) for reconciliation to FS lease data and require the RO's to provide the reconciled data to OFM's NFC, and include a provision in the MOU that the RO will follow up with the DOI on correction of errors and include timeframes for correction of identified errors. The MOU was signed March 1992. The negotiations with DOI delayed final action beyond 1 year from the management decision date.

The audit has 20 recommendations of which 14 are complete. The remaining findings are that FS require the contractor to implement the audit trail once data requirements are defined, postpone the implementation of additional features until an operational audit trail is incorporated into all aspects of the system, take action to implement an archiving process to allow

Mineral Area Management #08099-9-KC

09-05-90

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Automated Purchase Order System Internal Controls #08099-11-FM\*

09-28-89

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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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for removal of data, ensure procedures comply with the record retention requirements for purchase orders and coordinate the procedures with the National Office, incorporate these controls into the existing system and programs being developed, develop documentation for existing and future programs and require the contractor to document program codes, and run separate tests periodically on the controls and edits to ensure they are effective and functioning as intended and document the results of the tests. New changes to the system and correction of errors discovered during testing are delaying final action. FS expects to complete action on the audit by September 1992.

Monitoring of Deficit Unobligated Balances #08099-34-AT*	09-26-89	-0-	(23,980,799) 121,565	<p>The audit has 14 recommendations of which 7 are complete. The remaining findings are that FS establish controls within the National Information Reporting Program and request OFM's NFC to establish controls within the Central Accounting System (CAS) to preclude either acceptance of obligations in excess of quarterly apportionment and annual appropriation levels or flag appropriation accounts when a specified percentage of funds is obligated, review revised financial management procedures to identify and to reestablish control features that may have been deleted, perform indepth financial management reviews at the accounting centers that contributed to the FY 1988 Anti-Deficiency Act violations and</p>
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ascertain definitive causes and solutions for the deficit account balances, instruct accounting centers and units to compare budgeted funds to actual allocations and require adjustments in obligation authority when actual funding is less than budgeted, coordinate with OFM's NFC to ensure that estimated obligations are established and entered into the CAS for Simplified Intra-Governmental Billing and Collection unemployment compensation claims and similar charges to preclude deficit balances resulting from the payment of unobligated costs, establish timeframes to clear internal transfers and Senior Community Service Employment Program (SCSEP) charges, and instruct accounting centers to review SCSEP accounts and bill the appropriate budget clearing accounts for any unclaimed reimbursement for possible refunds to the DOL. Final action on this audit is delayed until pilot testing of the Administrative Integrated Management Systems project is implemented. The testing is scheduled to start in October 1992 in the FS Region 3 Albuquerque office.

Audit of Termination Proposal Settlement Submitted by James M. Ellett Construction Company #08545-42-SF*	07-10-89	-0-	(402,495) 402,495	The audit recommended that FS negotiate and reduce the contractor's proposed termination settlement. Settlement efforts were unsuccessful, and the Contracting Officer issued a final decision in June 1990. The contractor appealed to the U.S. Court of Claims in September 1990, and the Court issued an opinion in February 1991 dismissing the contractor's appeal
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for failure to certify the claim properly. The contractor submitted a new certified claim in August 1991. A final decision on the new claim is pending.

Analysis of Knutson - Vandenberg Act Fund Balances #08600-3-AT	03-30-90	-0-	(35,575,577) 35,575,577	<p>The audit has 16 recommendations of which 8 are complete. The remaining findings are that FS issue instructions to FS units delineating circumstances, if any, that would justify retention of excess Knutson-Vandenberg (K-V) balances and prohibit retention where such circumstances do not exist; restrict approval of excess fund retentions to the National Office level; require applicable National Forest's (NF) to return the \$33.2 million in FY 1987 excess K-V balances improperly retained and instruct applicable NF's to revise FY 1988 balance sheet analyses to reflect the transfers; issue procedures to ensure uniform and proper determinations of K-V costs; clarify procedures defining K-V collections which may be included in pooled K-V funds and needs which may be funded from the pooled K-V funds; establish FS procedures for the approval of construction projects that are to be funded from specific benefiting nonconstruction funds; require NF's to justify and plan K-V construction prior to collecting and using K-V funds; and remind RO's and NF's that FS procedures require Fire, Administration, and Other General Purpose Structures or related construction funding for nursery facilities and that such planned construction must be submitted</p>
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through the proper budgetary/appropriation process for approval. The FS delayed completion of the K-V Handbook update due to time spent reconsidering some details involved in the new procedures for excess balances. FS expects the policy to be published by July 1992.

Analysis of Brush Disposal Fund Balances and Expenditures #08600-6-AT	09-25-90	-0-	(3,880,615) -0-	<p>The audit has four recommendations of which two are complete. The remaining findings are that FS request an OGC opinion on the propriety of using Brush Disposal (BD) funds for equipment enhancement and development projects at technology centers; take appropriate followup action, based on the results of the OGC opinion, amend procedures and funding of ongoing enhancement and development projects; and develop procedures for charging occupational workers' compensation and unemployment compensation to program funds at appropriate levels to avoid adverse impacts on funds available for BD and other operations. FS requested an OGC opinion which will affect written policy needed to complete the audit actions. A key position was vacant for an extended period and this caused a delay in requesting the needed opinion.</p>
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Microwave  
Communication System  
Development  
#08600-7-AT

08-24-90

-0-

(148,000)  
148,000

The audit has 11 recommendations of which 2 are complete. The remaining findings are that FS ensure applications are filed with the National Telecommunications and Information Administration (NTIA) for new telecommunications sites before actual use begins and that NTIA authorizations are updated at least every 5 years or before modifications or relocations occur on existing authorized sites; direct personnel to identify approved frequencies in use and initiate authorization applications with NTIA; advise regions of the property management problems disclosed and ensure that physical inventories are taken when required and update property inventory reports to include any unrecorded microwave equipment; require Region 3 and its NF's to conduct 100 percent physical inventories of microwave equipment, tag all equipment, and make the necessary corrections to OFM's NFC property management records; direct NF's to conduct safety inspections of all microwave/radio sites; develop a standardized minimum safety/security checklist to be used for the design of microwave sites and the installation of microwave equipment; direct that communication sites be included in the facility inventory; ensure that FS long distance telephone connections via Microwave Communication System (MCS) have been approved; direct RO's to determine the status of the delayed and incomplete MCS's, establish revised schedules for

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completion, and coordinate the availability of qualified FS personnel and other resources to expedite completion; direct RO's to monitor completion of MCS's to prevent future delays and ensure achievement of projected cost savings; and amend the FS Telecommunications Handbook to provide control procedures to avoid MCS communication interruptions during emergency or critical uses. Due to snow cover and accessibility problems, FS does not expect to complete the safety inspections and document actions until September 1992.

The audit has three recommendations of which two are complete. The remaining finding is that FS establish controls to ensure appraisals are maintained within the standard specified. Revisions to the manual are being finalized for issuance in the FS manual by June 1992.

(63,987,486)  
36,247,637

#### RURAL ELECTRIFICATION ADMINISTRATION

The audit has six recommendations of which one is complete. The remaining findings are that REA require the company to recover \$121,918 from the vice president along with a reasonable rate of return and to recover \$162,371 from the



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president for Executive Department expenditures and the purchase of a van, consider the loan in default if the company either does not recover the funds or does not cooperate fully in taking corrective action, and require the company to obtain and maintain necessary documentation to support its investments and make documentation available to the CPA firms engaged to audit the company's financial statements. The \$121,918 due from the vice president represents Montezuma's funds used to purchase Chevron Corporation common stock held in the vice president's name. As of January 22, 1991, 3,900 shares of Chevron Corporation stock were transferred to Montezuma as owner. Cash dividends paid to the vice president during her time of ownership of stock amounted to \$47,982. Montezuma's CPA determined and certified that the Executive Department expenses were customary and reasonable, except for \$34,412. As a result of a negotiated settlement, REA agreed to either a full repayment immediately of \$82,394 without interest or a time repayment of this amount with interest.

REA Subtotal

-0-

-0-

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**SOIL CONSERVATION SERVICE**

Implementation of Food  
Security Act Conservation  
Provisions  
#10099-10-KC

09-28-90

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The audit has five recommendations of which two are complete. The remaining findings are that SCS require reviews of conservation plans developed for highly erodible land conservation and identify those that do not provide sufficient information to implement and maintain the conservation systems; revise or amend the plans to ensure accomplishment of the conservation objectives of the Food Security Act (FSA) of 1985; establish effective national, State, and local controls to ensure the FSA procedures, reviews, and subsequent revisions to the plans are implemented; and revise the internal control systems applicable to FSA operations to include provisions for providing reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act of 1982 are met. Based on the management decisions reached, final action will not occur until December 1994. SCS is on schedule for the implementation of the open recommendations.

SCS Subtotal

-0-

-0-

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**FOOD SAFETY AND INSPECTION SERVICE**

Audit of Indirect Cost Proposals for the 2 Years Ended June 30, 1987, for the State of West Virginia Department of Agriculture  
#24092-23-HY\*

05-09-89

(2,522,280)  
650,518

-0-

The audit has four recommendations of which three are complete. The remaining finding is that FSIS require the State Agency (SA) to carry forward the cumulative over-recovery of indirect costs to the next indirect cost rate negotiation. Fixed rates are established for FY's 1991 and 1992 to include recoveries of \$1,871,762. The remaining disallowed costs will be carried forward as the opportunity arises to adjust a provisional rate to a nominal fixed rate.

Exporting Procedures  
#24097-1-AT\*

02-05-87

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The audit recommended that FSIS issue regulations to govern the Acceptable Quality Level Program for all classes of poultry expected to remain subject to Directive 918.1, "Poultry Carcass Inspection Program." FSIS proposes to replace all poultry Acceptable Quality Level standards with Finished Product Standards. Preliminary work is complete. This option was submitted to the Administrator as part of Agency initiatives to improve poultry inspection and food safety.

Labeling Policies and Approvals, Washington, D.C.  
#24099-5-AT

06-26-90

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-0-

The audit has 18 recommendations of which 6 are complete. The remaining findings are that FSIS implement timeframes to complete reviews of applications; establish quality assurance controls; develop expertise and specialization among label reviewers to improve accuracy of approvals; issue formal

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policy to ensure that heat-treated products which contain poultry are cooked to the minimum temperature prescribed in the Poultry Products Inspection Act and implementing regulations; prepare written procedures for approval of health-related claims, and require that a food technologist certify applications to show date of review of laboratory analyses and compliance with nutritional labeling claims; implement procedures to track and evaluate subsequent analytical data submitted in support of nutrition claims and maintain records to show continued compliance throughout use of the label; revise Nutrition Labeling Verification policies to establish maximum allowable variances from label declarations which occur after label approval; ensure quality of tests performed by laboratories; review current policies on amenability to ensure consistent and adequate support for all exemptions made; ensure that (a) label reviewers are adequately trained on amenability rules, (b) amenability determinations are made prior to label approval, (c) exemptions are identified on copies of applicable label applications, (d) copies are provided to regional officials, and (e) regional officials monitor voluntary inspection activities; establish clear policies and procedures on when and how inspectors are to assess inspection fees on nonamenable products; and commit the necessary resources to keep the Label Information System current and accurate if no alternatives can be justified. FSIS is redesigning the label

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review process. In addition, FSIS sought public comment on the prior approval system for labels. A Department-wide committee is reviewing options for the system as part of the Regulatory Review process.

The audit has 14 recommendations of which 10 are complete. The remaining findings are that FSIS require residue staff officers to contact producers and other Government and SA's on violations, establish controls to document administrative procedures used to investigate the source and cause of violations, ensure case files are maintained properly, and ensure violations are recorded in the Microbiological and Residue Computer Information System. The National Residue Program directive is scheduled for issuance in October 1992.

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-0-

11-17-88

Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products  
#24609-1-AT\*

-0-

(2,522,280)  
650,518

FSIS Subtotal

# FOOD AND NUTRITION SERVICE

-0-

-0-

03-03-88

Food Distribution Program Commodity Inventory Accountability  
#27002-7-NY\*

The audit recommended that FNS implement procedures for the monthly reconciliation of the FNS-155 with the KC-269A report on the receipt of shipments by State Distributing Agencies and develop and implement computer programs to perform the reconciliation. Final action is pending the



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reconciliation between the FNS-155/KC-269A. Final implementation is expected in FY 1993.

Implementation of the Income and Eligibility Verification System in the Food Stamp Program #27013-45-TE\*

03-30-90

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-0-

The audit recommended that FNS require its RO's to increase efforts to ensure compliance with the Income and Eligibility Verification System (IEVS) by timely followup and enforcement of sanctions; determine whether additional measures, including sanctions, are needed to ensure that SA's clear IEVS matches within the regulatory timeframes; provide written guidance that either sets uniform IEVS targeting limits or specifies the elements the SA's must include in their Plans of Operation concerning targeting actions on the IEVS information; instruct the RO's to ensure that Food Stamp Program (FSP) applicants' households are included in the matching process of IEVS and that data sources of IEVS are not limited to the surrounding States unless it is proven cost effective; and require the RO to review the SA's Plans of Operation to ensure that targeting procedures are proper. FNS issued a memorandum in November 1990 to clarify applicant matching in Texas and to restate policy on applicant matching. In September 1990, FNS awarded a contract to conduct a study of targeting strategies under the IEVS regulations. The purpose of the study is to develop information on practical approaches that SA's can use to improve the cost-effectiveness of their IEVS matching/

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targeting practices. Upon completion of the study, a final Technical Evaluation Report will be provided.

Food Stamp Program Case File Documentation in Florida #27013-60-AT*	07-12-88	(65,898) 7,388	(5,405,579) -0-	The audit has seven recommendations of which six are complete. The remaining finding is that FNS require the SA to complete claims determinations and establish claims for the cases cited with overissuances. FNS is monitoring the SA's progress to complete claim determinations for the cases cited and to establish claims, where appropriate. The SA will submit supporting documentation to FNS when these actions are complete.
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National School Lunch Program and Commodity Distribution Program in Carlsbad Municipal School District #27023-253-TE*	12-20-89	(78,738) 42,610	-0-	The audit has 21 recommendations of which 10 are complete. The remaining findings are that FNS direct the SA to recover and remit costs for ineligible and unsupported meals; direct the SA to instruct the Carlsbad Municipal School District (CMSD) to compare meal counts at each school to the number of approved free or reduced price applications and to claim only the number of meals served to students with approved applications for reimbursement; direct the SA to instruct CMSD to implement a review system to ensure the accuracy of the claims; direct the SA to instruct CMSD to reevaluate and strengthen controls over CMSD's distribution of tickets; direct the New Mexico Department of Education to instruct CMSD to discontinue claiming free or reduced price
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meals unless an approved application is on file for the students; direct the SA to provide guidance and technical assistance to CMSD and monitor CMSD to ensure CMSD operates the National School Lunch Program (NSLP) in accordance with regulations; direct the New Mexico Human Services Department, Commodity Bureau, to recover and remit costs for the value of overissued commodities; direct the New Mexico Human Services Department, Commodity Bureau, to provide guidance and followup to ensure CMSD maintains accurate perpetual inventory records; direct the New Mexico Human Services Department, Commodity Bureau, to instruct CMSD to reconcile perpetual inventory records to monthly physical inventory counts and assure that warehouse personnel are trained in the reconciliation process; direct the New Mexico Human Services Department, Commodity Bureau, to instruct CMSD to require school officials to count and sign for commodities as they are delivered from the central warehouse; and direct the New Mexico Human Services Department, Commodity Bureau, to provide guidance and technical assistance to CSMD and monitor CMSD to ensure that the Commodity Distribution Program violations are corrected and do not recur. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.



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<p>Child Care Food Program Whispering Wonders Pre-School #27029-175-HY*</p>	<p>03-30-89</p>	<p>(3,868) 1,612</p>	<p>-0-</p>	<p>The audit recommended that FNS collect excess reimbursements; instruct the sponsor to report accurately its enrollment for free, reduced price, and paid children's meals and establish procedures to ensure that application forms are complete; instruct the sponsor to collect and maintain all necessary program records; and instruct the sponsor to claim meals based on actual meal counts. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.</p>
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<p>Child Care Food Program Bushwick Community Action Association, Inc. #27029-293-HY*</p>	<p>03-29-90</p>	<p>(49,330) 11,575</p>	<p>-0-</p>	<p>The audit recommended that FNS instruct the sponsor to document that correct enrollment is reported, that meals meet the minimum milk component requirements, that wages paid do not exceed amounts allowable per budget, that administrative costs in excess of the maximum allowable are not claimed and collect the questioned costs. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule. Full collection will complete action on this audit.</p>
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<p>Child Care Food Program Hempstead After School #27029-300-HY*</p>	<p>03-28-90</p>	<p>(6,808) 4,306</p>	<p>-0-</p>	<p>The audit recommended that FNS collect the questioned costs and instruct the sponsor to document that adequate records are kept to support food purchases. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.</p>
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Child Care Food Program Putnam Child Development Center #27029-305-HY*	03-28-90	(29,734) 17,186	-0-	<p>The audit recommended that FNS collect questioned costs and instruct the sponsor to document that correct enrollment is reported, that administrative costs in excess of the maximum allowable are not claimed, that meals are not claimed in excess of license capacity, and that claims are recorded accurately. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.</p>
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Child Care Food Program Richmond Community Action Program #27029-347-HY	10-02-90	(1,397) 477	-0-	<p>The audit has four recommendations of which one is complete. The remaining findings are that FNS collect disallowed costs, instruct the sponsor to explain meal component requirements to appropriate personnel, distribute and post requirement summaries to serve as a daily reference, instruct the sponsor to include home-based children in the enrollment data reported on the monthly claims for reimbursement, and conduct a followup to determine the adequacy of the sponsor's financial management system and modify the system to the extent necessary to permit the identification of expenses for Federally-sponsored activities by program and funding source. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.</p>
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<p>Child Care Food Program Honeytree Early Learning Center #27029-350-HY</p>	<p>10-01-90</p>	<p>(10,233) 885</p>	<p>-0-</p>	<p>The audit recommended that FNS collect disallowed costs and instruct the sponsor to explain meal component requirements to appropriate personnel and distribute and post requirement summaries to serve as a daily reference. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.</p>
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<p>1986 Child Care Food Program - Boys Harbor, Inc. #27029-961-NY*</p>	<p>10-01-87</p>	<p>(183,174) -0-</p>	<p>-0-</p>	<p>The audit has six recommendations of which five are complete. The remaining finding is that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to recover the overpayments attributed to self-prep sites due to unclear regulations. FNS agreed to revise its regulations to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. In an effort to clarify this regulatory provision's applicability to sponsors, FNS developed regulations to remove the limitations on sponsoring organization disbursements to individual centers. It was subsequently determined that regulatory action was not necessary. FNS made a policy interpretation that the regulatory provision only applies to sponsors which actually disburse funds to sites and thus did not apply to Boys Harbor, Inc. The change in FNS' management decision is delaying final action.</p>
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
1987 Child Care Food Program - Boys Harbor, Inc. #27029-1055-NY*	12-12-88	(63,170) -0-	-0-	The audit has 22 recommendations of which 21 are complete. The remaining finding is that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to recover the overpayments attributed to self-prep sites due to unclear regulations. FNS agreed to revise its regulations to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. In an effort to clarify this regulatory provision's applicability to sponsors, FNS developed regulations to remove the limitations on sponsoring organization disbursements to individual centers. It was subsequently determined that regulatory action was not necessary. FNS made a policy interpretation that the regulatory provision only applies to sponsors which actually disburse funds to sites and thus did not apply to Boys Harbor, Inc. The change in FNS' management decision is delaying final action.
Alabama Department of Public Health - Special Supplemental Food Program for Women, Infants, and Children Administrative Costs #27031-22-AT*	01-24-90	(2,831,384) 2,814,884	(1,132,553) 1,132,553	The audit has six recommendations of which one is complete. The remaining findings are that FNS initiate the sanctioning process against the SA's to assist in implementation of an effective cost allocation system; determine whether fiscal adjustments and recoveries are appropriate for the overclaimed administrative costs charged; if so, require the SA to determine the amount of improper claims for FY's 1987 through 1990 and make the necessary adjustments; conduct a



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followup review to ensure the propriety of cost adjustments and determine that conditions cited have been corrected; require the SA to implement a cost allocation system to distribute personal services and printing costs; and require the SA to conduct sufficient testing during its internal reviews of subrecipients to ensure the propriety of personal service costs claimed. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.

Nutrition Assistance Program Block Grant, San Juan, Puerto Rico #27080-3-NY*	07-31-87	(298,370) 298,370	-0-	<p>The audit has five recommendations of which two are complete. The remaining findings are that FNS require the SA to coordinate with other Federal Agencies to obtain a proper allocation of administrative funds for integrated services and require the SA to submit revised financial reports. The Department of Health and Human Services (DHHS) is responsible for the allocation of costs for the SA administering the Puerto Rico Nutrition Assistance Program. The SA is negotiating with DHHS for approval of its Cost Allocation Plan (CAP). DHHS anticipates advising the SA by June 1992 of its approval or disapproval of the plan.</p>
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Contracting of Food Service Management Companies in the National School Lunch Program  
#27099-25-SF\*

06-20-89

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The audit has eight recommendations of which three are complete. The remaining findings are that FNS establish contracting guidelines for Food Service Management Companies (FSMC's), direct the SA to eliminate unnecessary hiring and other restrictions, enforce the requirement that fixed price contracts be awarded through competitive bids for the School Food Authorities (SFA's), request a waiver from OMB to allow fixed price contracts with FSMC's; and require the SFA's using cost reimbursable contracts with FSMC's to install cost controlling provisions on contracts. FNS agreed to improve management controls over procurement and to publish more restrictive regulations. Information was not available to develop a long-term policy, and FNS awarded a contract in September 1990 to study FSMC's in school nutrition programs. Once the study results are reported and evaluated, FNS will reinstate rulemaking. In the interim, FNS is developing guidance for FSMC contracts.

Yield Shortage at Better Baked Foods, Inc.  
#27099-79-CH\*

03-15-89

(162,989)  
146,980

-0-

The audit recommended that FNS recover the value of yield shortages. Better Baked Foods, Inc., disputed the claim amount and agreed to submit appropriate documentation which would warrant a reduction in the claim amount. FNS received an interim payment of \$16,009 which represents the amount that Better Baked Foods, Inc., believes to be its liability. Better Baked Foods, Inc., submitted additional

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documentation to support the company's request for a claim redetermination. These documents are currently under review.

Food Stamp Program  
Administrative Costs  
Nationwide  
#27600-2-SF\*

03-30-90

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The audit has 10 recommendations of which 1 is complete. The remaining findings are that FNS establish a schedule for conducting FSP Expenditure Validation Reviews (EVR's) by the RO's, inform the RO's of the conditions identified in other States, work with DHHS to provide direction to States on the proper allocation of common certification costs between Federal and State programs and instruct States that a waiver from OMB is required for any allocation method which does not comply with OMB Circular A-87, instruct the RO's to review the eligibility of the costs allocated between the 75-percent enhanced funding elements of the FSP and the elements eligible for the 50-percent reimbursement, instruct the RO's to review the eligibility of the costs allocated, and direct the States to follow Federal procurement regulations for the award of contracts for FSP services. FNS is revising its EVR Guide to incorporate the recommended changes and expects to issue the guide in January 1993.



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Special Supplemental Food Program for Women, Infants, and Children - Vendor Monitoring and Food Instrument Delivery Systems  
#27661-2-CH\*

06-15-88

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The audit has 38 recommendations of which 10 are complete. The remaining findings are that FNS provide for a sufficient administrative budget to enable FNS personnel to perform periodic and effective reviews and provide more detailed guidance and supervision; compile and analyze the results of management evaluations, identify areas with recurring or nation-wide deficiencies, and target future management evaluations to address these and other areas determined vulnerable; establish procedures for RO's to obtain documentation for corrective action from SA's; require SA's to report annually on their monitoring reviews of local agencies; require SA's to develop effective methods to prevent vendors from overcharging on food instruments; establish high-risk vendor investigative requirements; develop and require SA's to apply specific sanctions for vendors found to be violating program requirements; require SA's to disqualify vendors disqualified from the FSP and issue regulations; codify a standardized appeal process for SA's; implement the Department-wide nonprocurement, debarment and suspension regulations and require SA's to identify all redeemed food instruments not validly issued to properly certified participants; obtain legislative authority to require applicants to obtain/provide social security numbers; require SA's to use minimum matching criteria; and generate listings of potential dual participation and submit annual reports to FNS on the

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efforts to detect and prevent dual participation including amounts. Final action is pending issuance and implementation of new regulations. Significant public and political reaction to FNS' proposed rulemaking delayed the publication of a final rule and may jeopardize planned corrective action. FNS developed a new proposed rule to reflect comments received during the first public comment period. The regulatory moratorium has created a delay of unknown duration in publication of the reproposal.

Audit of the State of Colorado, Denver, Colorado, for the Year Ended June 30, 1988 #50568-227-KC	05-02-90	(90,000) 90,000	-0-	The audit has 12 recommendations of which 10 are complete. The remaining findings are that FNS continue to pursue recovery of the \$90,000 inappropriately disbursed and coordinate with the Colorado Department of Education monitoring of commodities' usage by school districts under the NSLP. Final action is delayed pending the disposition of the disallowed costs.
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Audit Report on the State of Washington for the Fiscal Year Ended June 30, 1988, #50568-309-SF*	08-25-89	(2,721) -0-	-0-	The audit recommended that the Washington State Department of General Administration comply with OMB Circular A-87 requiring adequate payroll documentation and that the Washington State Department of Social and Health Services amend the CAP to allow only costs in accordance with the approved written plan. FNS delayed final action pending completion of DHHS' review of the cross-cutting finding.
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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FNS Subtotal		(3,877,814) 3,436,273	(6,538,132) 1,132,553	
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**FEDERAL GRAIN INSPECTION SERVICE**

Grain Inspection Processes and Procedures #31008-2-HY*	08-30-88	-0-	-0-	The audit recommended that FGIS develop and implement a method to measure more accurately moisture in corn, preferably one that employs the use of ground rather than whole kernel corn. FGIS completed the research for air oven calibration and developed a proposed timetable to implement the new moisture reference methods by FY 1996. The plan is tentative because there are many ramifications that could affect the final outcome. The implementation of the plan will be affected by the National Conference on Weights and Measures, public meetings on changing reference methods, and an economic impact study. FGIS plans to conduct the economic impact study first. The Economic Research Service and FGIS are finalizing a proposal to study the impact of this recommendation. Depending on the outcome of this study, it may be classified as "major rulemaking" which could delay or affect further implementation of this audit.
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FGIS Subtotal		-0-	-0-	
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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**ANIMAL AND PLANT HEALTH INSPECTION SERVICE**

Audit of APHIS Post  
Exclusion Activities  
#33004-1-HY

06-29-90

-0-

-0-

The audit has 10 recommendations of which 6 are complete. The remaining findings are that APHIS require all commodities be inspected and cleared at the port of first arrival to minimize the risk of untreated cargo being inadvertently released; require Plant Protection and Quarantine port officials to issue specific permits that would list only one port of first arrival, specify the country of origin, the type of commodity, and the shipping period and possibly consider revising regulations; require measures to ensure that Agency officials are complying with the requirements of the User Fee Statute and, in consultation with OMB and the Treasury Department, determine the requirements for repayment of funds already used or request OMB and Treasury to consider waiving the repayment requirement; and reevaluate and revise where necessary APHIS' directive to prevent abuse of the overtime system. APHIS is developing proposed "Quarantine 56 Revision Options" to address inspection and clearance of cargo and the permit issue. Publication in the Federal Register will occur in FY 1992. APHIS expects to have accounting procedures finalized next fiscal year for depositing preclearance revenues into the User Fee Account. OMB and Treasury informed APHIS officials that waiver regulations for repayment of funds already collected do not exist. APHIS is reviewing the overtime



Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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system and directives. Tours of duty are frequently reviewed by port officers in charge and regional officials to ensure maximum productivity and minimal overtime. Committee members are considering the development of a simplified overtime system, and new regulations will be finalized by FY 1995.

The audit has 27 recommendations of which 26 are complete. The remaining finding is that APHIS collect unauthorized freight costs and liquidated damages. APHIS employees are preparing a report concerning three contracts associated with the recommendation. Upon completion, Agency officials will analyze the information and determine the best course of action.

Mexico/United States  
Screwworm Eradication  
Program, Washington,  
D.C.  
#33615-2-HY\* 06-30-88 (481,584) 4,784 (18,208,650) -0-

APHIS Subtotal (481,584) 4,784 (18,208,650) -0-

**OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT**

Office of International Cooperation and Development  
International Training Division  
#44010-3-HY\* 09-29-89 -0- -0-

The audit has 10 recommendations of which 9 are complete. The remaining finding is that OICD reconcile expired orders on record and report unliquidated balances that should be obligated to the Agency for International Development (AID). OICD and AID continue to reconcile expired orders, cancel unliquidated balances, and adjust prior billings. Final

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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reconciliation for the negative cash activity is scheduled for 1992.

Audit of OICD's Financial Management System #44060-1-HY*	07-13-90	-0-	-0-	The audit has 17 recommendations of which 13 are complete. The remaining findings are that OICD implement improvements in debt financial management as previously recommended by OIG, a CPA study, and an OFM review; develop and issue procedures for the billing and collection operations that comply with General Accounting Office (GAO) standards; follow up on all unpaid prior years' debt and ensure that amounts due are collected in a timely manner; and forward all outstanding receivables to GAO that AID has declined to pay. Limited resources in OICD are delaying completion of written procedures for the Agency's billing and collection operations. OICD continues to work with AID and other organizations on the billing and collection problems. OICD expects to complete action in 1992.
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OICD Subtotal		-0-	-0-	
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Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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**OFFICE OF INFORMATION RESOURCES MANAGEMENT**

Security and Control of the Honeywell Mainframe Computer, National Computer Center at Kansas City, Kansas #58099-17-FM\*

03-28-90

-0-

(442,572)  
-0-

The audit has 20 recommendations of which 16 are complete. The remaining findings are that OIRM perform a security assessment of the Honeywell system and ensure that security weaknesses and measures are reported as required in security plans and OIRM's Management Control Yearend Report, enforce requirements that each user has a unique identifier for gaining access to the system, determine if the number of unsuccessful password attempts can be limited and whether passwords can be required to be at least four characters, and update the user's handbook and ensure that changes are made timely. FCIC plans to transfer its applications off the Honeywell Mainframe Computer in FY 1992. This will make the Honeywell configuration a single-user system until early FY 1993. OIRM evaluated two migration/retrieval packages which were expensive to purchase and to maintain. In view of the diminishing workload and the conversion dates by FCIC and ASCS, OIRM decided not to spend the funds to install a data migration/retrieval management package on the Honeywell System. OIRM is preparing monthly lists of files inactive for more than 60 working days. The transfer of applications is delaying final action.

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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Tape Library  
Management Controls,  
National Computer  
Center at Kansas City,  
Kansas  
#58099-18-FM\*

03-12-90

-0-

-0-

The audit has 14 recommendations of which 8 are complete. The remaining findings are that OIRM implement the security option for the Honeywell tape management software to limit access to tapes; implement controls to restrict access to IBM round tapes utilized on the Honeywell system, develop and implement a method to include IBM tapes in the Honeywell tape management software, and ensure that updates to both systems' tape management software occur when changes are made; establish controls to protect user tapes from unauthorized destruction and to prevent users from making repeated attempts to enter account codes; implement controls to provide users with the capability to ensure that data is readable at any point in the future; limit the retention for tapes; and require users to recreate tapes that need to be retained in excess of 400 days and update the National Computer Center Kansas City Customer Handbook to include the procedure for recreating tapes that are over 400 days old. FCIC plans to transfer its applications off the Honeywell Mainframe Computer in November 1992. ASCS started converting the Honeywell based system to the IBM mainframe in FY 1991. The conversion of applications requires converting 729 ASCS Honeywell application programs to the IBM mainframe. OIRM expects completion in early FY 1993.

Agency and Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds Put To Better Use (Total) Remaining	Reason Final Action Incomplete
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Automated Data Processing Maintenance Agreement Within the Department of Agriculture #50555-1-HY\*

03-23-87

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-0-

The audit has 10 recommendations of which 8 are complete. The remaining findings are that OIRM require USDA Agencies to use OFM's NFC inventory system for tracking Automated Data Processing (ADP) equipment and prohibit Agencies from maintaining property listings that duplicate those maintained at NFC. OIRM published DR 3230-1, "ADP Equipment Maintenance," in August 1990 and conducted a feasibility study for a central maintenance facility to service USDA Agencies in May 1991. GSA issued final reporting procedures for the revised ADP Equipment Data System (ADPE/DS). OIRM is working with the Office of Operations and NFC to change the Property Management Information System to incorporate additional information required for the ADPE/DS and to issue Departmental guidance.

OIRM Subtotal

-0-

(442,572)  
-0-

TOTAL

(20,395,875)  
14,361,598

(856,648,893)  
630,505,509

\* The audits indicated with an asterisk (\*) were in the report for the period April 1 through September 30, 1991.



